India Infrastructure

'Economies to scale will be the key to success'

— **Aditya Mehta,** Director, Jaypee India Ltd

Jaypee India Ltd is a leading Kolkata-based manufacturer, exporter and importer of a wide range of construction equipment and allied products. Aditya Mehta spoke to Sandeep Menezes on recent trends in the construction equipment industry and why smaller manufacturers will find the going tough.

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What are the recent trends in the Indian construction equipment industry?

Over the past few months we have seen a slowing market with recession hitting most places worldwide. In India as well, infrastructure work has gone down from its original levels. A lot of cost cutting by buyers on most ends has seen a drastic fall in the selling price of end products.

Similarly, in the case of construction equipment, many manufacturers have been forced to reduce their selling prices in order to meet the prices of those who have been severely affected by such market trends. Therefore a downward spiral for end product pricing has been the most visible trend in the industry.

PHOTOS: ANTHONY AZAVEDO

What is the current market size of this sector?

I do not have the exact figures in terms of market size, but there are still a lot of avenues which are lying vacant, a number of product segments which need attention from manufacturers and buyers alike.

Which business areas contribute to Jaypee India's revenue?

Our major product line is reinforcement processing solutions, which has our rebar bending and rebar cutting machines, our newly-launched bar decoiling and straightening machines, and scrap straightening machines. This range contributes to about 45 per cent of our total revenues.

In the current year, we will be working extensively on automation products for our reinforcement processing line and also on our material handling equipment.

Do you see a significant change in the market share of large equipment manufacturers, both domestic and foreign, and smaller players in India?

Currently, in India, there is a clear divide between the larger manufacturers and the smaller ones. This differentiation is mostly on the basis of the size of equipment manufactured. There are very few large manufacturers who make smaller equipment and vice versa. This has given enough breathing space to the smaller manufacturers as their boundaries have been broken into.

However, in the past few months a number of larger manufacturers have been seen launching smaller equipment which directly competes with the smaller unorganised sector of the industry. This will ultimately result in more difficult times for the smaller manufacturers as they would be directly competing with the big brands.

Can smaller manufacturers survive with the entry of large global players?

Economies to scale will be the key to success for many industries in the years to come. The only way a smaller firm can survive is if they have a unique product or a unique service. Providing a service or product similar to those of larger firms will only reduce the lifespan of smaller firms.

What are Jaypee India's upcoming plans?

We work on a singular motto of 'enhancing trust' of our customers. Over the decades we have strengthened the relationship we share with our clients which has given us a strong bond for the years to come. We are in the process of setting up our fifth unit in Kolkata, which would be followed by a dedicated machining centre using state-of-the-art CNC equipment for machining our raw materials.

We already have two R&D wings located in Mumbai and Kolkata. The Mumbai unit primarily develops our reinforcement line and our Kolkata unit works on the various product ranges.

What was the impact of the economic slowdown on your industry as well as company?

In the light of the recent slowdown we have seen a number of companies dwindle and the availability of a number of CVs in the job market. Also, most manufacturers have suffered from overstocked supplies. We have been fortunate to have managed the slowdown without any changes to our production schedule or marketing approach.

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